

Honorable Michelle L. Peterson

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,
Plaintiff,

v.

JUSTIN COSTELLO,
Defendant.

NO. CR22-160 RSM

MEMORANDUM IN SUPPORT OF
MOTION FOR DETENTION

I. INTRODUCTION

Justin Costello is charged with stealing millions from banking clients and conning investors out of many millions more. Costello deceived his victims by falsifying records, fraudulently overstating the value his of businesses, and with brazen lies about his background, including claims that he was a billionaire who managed money for a Saudi sheikh, that he graduated from Harvard Business School with an MBA, and that he was a Special Forces veteran who was shot twice in Iraq and still had shrapnel in his leg.

Costello was given a chance to self-surrender after he was indicted. Instead, he fled to California and was arrested very close to the Mexican border. Costello was equipped with a backpack that contained a complete fugitive kit: \$60,000 in U.S.

1 currency, \$12,000 in gold bars, \$10,000 in Mexican pesos, and a forged driver's license
 2 in the name of Christian "Bolter."



25 Costello had his initial appearance before a United States Magistrate Judge in the
 26 Southern District of California, who found that he was a serious flight risk and a danger
 27

1 to the community and ordered him detained pending his appearance in this District. The
 2 United States moves for Costello's continued detention.

3 **II. BACKGROUND**

4 *Costello's Fraudulent Schemes*

5 The Indictment alleges that Costello acted as a banker for several marijuana
 6 businesses. Costello stole \$3.7 million from the funds deposited by his clients, and used
 7 them for personal expenses and other business ventures. To cover the fraud, Costello
 8 provided his clients with fraudulent accounts statements.

9 Costello also lied – recently -- to a federal judge to conceal his theft. One of
 10 Costello's clients sued him in the United States District Court for the Northern District of
 11 California to recover lost funds. On September 15, 2022, Costello filed a sworn
 12 declaration in which he falsely claimed that almost \$3 million of the client's funds were
 13 held in an account at Sound Credit Union. The actual balance was \$15.35. Indictment at
 14 ¶¶14-38.

15 Costello also defrauded numerous victims into entrusting funds to him for
 16 investment, and into investing funds in companies he controlled. Costello lied about the
 17 value of his companies, his education, his military service, his personal wealth, his
 18 clients, his status as a licensed investment manager, and his experience as a money
 19 manager. Costello falsely claimed that two famous "titans" of the Seattle business
 20 community were supporting him. Costello defrauded almost 30 investors out of \$6
 21 million. Indictment at ¶¶43-70.

22 Finally, Costello ran a "pump-and-dump" scheme. Costello paid secret bribes to
 23 D.F., a prolific Twitter user, in return for D.F.'s promotion of various "penny" securities
 24 that Costello owned. D.F.'s tweets drove up the stock prices, and Costello sold at a profit
 25 of over \$350,000 before the prices dropped. Indictment at ¶¶78-89.

26 *Costello's Flight*

1 Over a year ago, the United States Attorney's Office for the Western District of
2 Washington ("USAO") told Costello's criminal attorney that he was under investigation
3 and would be charged. The attorney asked that Costello be allowed to self-surrender and
4 the USAO agreed.

5 Costello was indicted on September 28, 2022. That day, an AUSA and an FBI
6 agent called Costello's attorney and told him that Costello would have to surrender the
7 next day. The attorney called back after consulting with Costello. The attorney said
8 Costello was in Palm Springs, California, and would surrender at 9 a.m. the next day to
9 the FBI in San Diego.

10 The AUSA emailed the attorney later that day and told him that Costello should
11 surrender at 7 a.m. to make sure that he made the initial appearance calendar and was not
12 held in custody overnight. The attorney said that he had passed the message along to his
13 client.

14 Costello did not surrender, but instead became a fugitive. The FBI tried to track
15 Costello by his phones, but he had either thrown them away, turned them off, or turned
16 off his location services. The FBI was able to track him by using the theft recovery
17 service for the Alfa Romeo he was driving. That car had been parked in Las Vegas – not
18 Palm Springs, where Costello told his lawyer he was – on September 27th.

19 The FBI SWAT team tracked the Alfa Romeo to a remote area in El Cajon
20 California, which is close to the Mexican border. Agents saw Costello walking around
21 with a backpack. The agents arrested Costello, who was surprised that they had found
22 him because he had turned his phone off. Costello said he did not turn himself in because
23 he had recently had a stroke and needed to recover. Costello said that he could have
24 outrun the SWAT agents but for the stroke. Costello admitted that he was the person
25 charged in the Indictment and encouraged agents to "Google" him so they could read
26 about the case. Costello said something along the lines of, "at least I didn't go to
27 Mexico."

1 A witness later discovered Costello's backpack at the El Cajon property and
2 turned it over to law enforcement. An inventory search showed that the backpack was
3 effectively a fugitive survival kit, containing:

4 - \$60,000 in U.S. currency;
5 - \$12,000 in gold bars;
6 - \$10,000 in Mexican pesos;
7 - the receipt for a pre-paid phone number; and
8 - a driver's license with Costello's photograph, in the name of Christian
9 "Bolter."

10 The FBI learned that the gold in the backpack was part of a larger amount of gold,
11 worth \$94,000, that Costello bought from a jeweler in April – using money he had stolen
12 from a marijuana banking client. The FBI is searching for the rest of the gold and other
13 crime proceeds.

14 The gold purchase is one of several steps that Costello apparently took to prepare
15 for his flight. For example, in mid-September, Costello stopped using his only known
16 personal bank account for his personal expenses, and instead used multiple corporate
17 accounts.

18 Costello also has a history of threats, intimidation, and firearms possession. In
19 2019, a drunk Costello got into an argument with employees at the Salish Lodge.
20 Costello bragged that he was a billionaire and threatened to send "his boys" after the
21 employees to "take care" of them. Exhibit 1, Snoqualmie Police Report.

22 Costello made similar threats on Twitter to people who were exposing his
23 fraudulent schemes. Costello told one Twitter user that he would "spend a million
24 dollars" to find the user and then "knock you the fuck out." To give weight to the threat,
25 Costello repeated his lie that he had served "in the war in iraq." Costello told another
26 user that he was tempted to "have my security guys break your fucking fast talking jaw
27 based on what you said about me."

1 Costello also has multiple firearms. Law enforcement does not know where these
2 weapons are. Exhibit 2.

3 *Proceedings in the Southern District of California*

4 After his arrest in El Cajon, Costello appeared before United States Magistrate
5 Judge Daniel E. Butcher. Magistrate Judge Butcher detained Costello, finding that he
6 was both a danger to the community and a flight risk. Magistrate Judge Butcher cited the
7 risk “for financial losses to more victims” if Costello was released, his failure to self-
8 surrender, attempt to evade law enforcement, and possession of false identification, large
9 amounts of gold, and cash.

10 **III. DISCUSSION**

11 Justin Costello avoided arrest by promising to turn himself in. Like so much of
12 what Costello says, this promise was a lie. Costello’s real plan was to flee to Mexico,
13 and he almost made it.

14 Costello had prepared carefully for life on the run. He turned off his phone,
15 stopped using his personal bank account, obtained false identification, and bought gold.
16 When the time came to surrender, Costello fled, carrying a well-stocked fugitive kit
17 including the gold, cash, Mexican pesos, and the forged identification. Costello did not
18 think to turn off the theft recovery system for the Alfa Romeo, and that was his undoing.
19 But for that oversight, Costello was in good position to cross the border.

20 There are no conditions that can address the risk of flight and the danger to the
21 community. Any assurances from Costello would be meaningless. He is a sophisticated
22 con man with a history of lies and forgery, including the false declaration he submitted in
23 the Northern District of California. Costello has tremendous incentive to flee. The
24 evidence is strong and his estimated Guidelines range is 324-405 months. An ankle
25 bracelet cannot stop him from running, and he has the resources – including over \$80,000
26 in gold that law enforcement has not found – to survive as a fugitive. Costello would also
27 be a danger to victims and witnesses. Threats of violence are part of his *modus operandi*,

1 and law enforcement does not know where his guns are.

2 The Court should detain Costello pending trial.

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4
5 Respectfully submitted,

6
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